

Growth, productive bubbles and population dynamics

Xavier Raurich* and Thomas Seegmuller^{†‡}

June 8, 2016

Abstract

On the one hand, episodes of bubbles are depicted by larger economic growth. On the other hand, some economists highlight that asset prices can be explained by some demographic trends, asset prices being higher when there are relatively more savers / middle age agents. We develop an overlapping generations model with households living three periods, capital and a speculative asset. Focusing on bubble on this asset, we show that according to the evidence, growth is larger at the bubbly balanced growth path than at the bubbleless one. Moreover, any fall of the price of the speculative asset relatively to capital, in case of a market crash or along the transitional dynamics, is associated to a lower number of middle age households relatively to the young.

JEL classification: E44; G12; J11.

Keywords: Bubble; Endogenous growth; Fertility.

*Departament de Teoria Econòmica and CREB, Universitat de Barcelona.

[†]Corresponding author. Aix-Marseille University (Aix-Marseille School of Economics), CNRS-GREQAM and EHESS. Centre de la Vieille Charité, 2 rue de la Charité, 13236 Marseille CEDEX 02, France. E-mail: thomas.seegmuller@univ-amu.fr.

[‡]This work has been carried out thanks to the support of the A*MIDEX project (ANR-11-IDEX-0001-02) funded by the “Investissements d’Avenir” French Government program, managed by the French National Research Agency (ANR), the ECO2012-34046 grant funded by the Government of Spain and the SGR2014-493 grant funded by the Generalitat of Catalonia.